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FISCAL POLICIES MANUAL

GENERAL ACCOUNTING: CASH AND CASH EQUIVALENTS FUNDS HELD AS AN AGENT

PREFACE

Various State agencies have the responsibility of holding and accounting for financial resources which do not belong to the State and are collected apart from its normal operations. This includes the money of patients in State institutions and the money of individuals incarcerated by the State of Idaho. Since the State is responsible for the safekeeping of this type of money, it has assumed a fiduciary role in accounting for them.

A fiduciary fund group is used to account for cash and cash equivalents held by the State for other entities or individuals. Assets, such as cash, are recorded when received and offset by a liability representing the State's obligation to return the funds to their owners or other entities.

The extent of the State's role in managing this money, along with other criteria, determines which fund type (e.g., investment trust, pension trust, or agency) is used to account for the receipt, disbursement, earnings, and costs associated with their administration.

Generally, if the State's role is simply to collect and disburse the resources on behalf of some third party, an agency fund type should be used to account for the assets. However, if the State has a greater degree of management, such as the investment of funds or determination of their use, a trust fund type is more appropriate.

DEFINITIONS

FIDUCIARY FUND GROUP

Funds used to account for assets held by the State acting as a trustee or agent for individuals, organizations, other governmental units, or other assets of the State. Fiduciary fund types are identified in State financial reports as agency funds, investment trust funds, and pension trust funds.

AGENCY FUND TYPE

Fund used to account for assets held by the State temporarily as agent for individuals, organizations, other funds, or other governmental units. Agency fund types are used in situations where the State simply collects or temporarily holds resources on behalf of some third party.

For example, the Savings Bond Fund accounts for State employee payroll deductions for the purchase of employee savings bonds. Since all of the assets of an agency fund type are associated with outside parties, these funds report assets and liabilities, but no equity.

INVESTMENT TRUST FUND

Used to report the external portion of investment pools reported by the sponsoring government.

PENSION TRUST FUND

Used to account for assets received from general revenues, contributions, interest dividends, and the disbursement of these assets as benefit payments to retired employees, or their beneficiaries, by the State, in accordance with the provisions of the plan.

Pension trust funds are a special variety of trust funds. Pension trust funds are similar to expendable trust funds in that both principal and income are fully expendable. However, the measurement objective of pension trust fund is similar to that of nonexpendable trust fund.

Pension funds are accounted for in essentially the same manner as proprietary funds, but with an emphasis on required fund balance reserves.

POLICY

In order to properly account for and ensure safekeeping of all cash and cash equivalents held in a fiduciary capacity, such assets should be placed with the State Treasurer unless prohibited by law or regulation and recorded in STARS in an agency or other fiduciary fund type.

FISCAL IMPACT

This policy may increase transactions in STARS and the total funds available for investment by the State Treasurer.

ADMINISTRATIVE PROCEDURES

Individual accounts shall be maintained by the agency for resources held by the State for third parties. All records shall be available for audit. The administrative agency will prepare a periodic report to be sent to the third party or their designee. The accounts should be reconciled at least monthly.

Unless prohibited by law or regulation:

- The money held for clients of the State shall retain their interest earnings.
- Interest earnings may be used to offset the costs of administering the funds.
- Costs in excess of interest earnings shall be paid from the department/agency's appropriated funds unless prohibited by law or regulation.
- Earnings in excess of cost will be distributed to the third parties on a prorata basis.

NOTE: See also Deposit Liabilities.